



Annual Report

TOWN OF LOS GATOS FY 2004/2005

We are pleased to present the Fiscal Year 2004/05 Annual Report, which is distributed to all households in Town. In general, this report covers the period from July 2004 through June 2005. If you've seen our annual report over the last two years, you know that it highlights some of the accomplishments of the Town and the many partners we work with to build a great community.

When you read this report, you will learn about some of the services the Town provides on its own to the community. You'll also learn about some of the accomplishments that were made possible only because community members and other organizations joined with the Town to make them happen. This community is rich with people and groups that care about their neighborhoods, their quality of life, and each other. Fortunately, there are lots of opportunities for them to contribute ideas and time to the things they care about (see the right-hand column on this page).

We invite you to read the articles in this Annual Report about services in Community Programs and Outreach; Community Development, Housing, and Planning; Parks and Open Space; Transportation and Infrastructure; and Public Safety. You will find a Fiscal Overview for FY 2005/06 on the back page.

We also invite you to join with the Town through the many volunteer opportunities available to you as a Los Gatos resident.

— Debra J. Figone, Town Manager

Building Community Together

In Fiscal Year 2004/05, the Town added two new opportunities for residents to make a difference in their community. These new opportunities reinforce the Town's guiding principles of *Small Town Service*, *Community Stewardship*, and *Future Focus*.

The first new opportunity is the Youth Commission. Discussed later in this report (see page 6), the Youth Commission provides a forum for youth to identify and address issues important to them. By participating on the Youth Commission, young Los Gatos residents are sharing the *Community Stewardship* role with the Town. This means they are helping to maintain the health, safety, and desirable quality of life in the community. And because Youth Commission members will become the community leaders of tomorrow, they also reflect the Town's principle of *Future Focus*.

Community Unity is the second new opportunity to make a difference. With residents and organizations pitching in to help with everything from doing home repairs for seniors, to delivering holiday baskets to the homebound, to organizing a children's mural, this effort represents *Small Town Service* at its most grassroots level. And caring about the well-being of seniors and youth, and sprucing up the neighborhoods, make all of the volunteers community stewards, as well. You'll read more about Community Unity in this Annual Report (see page 2).

These new opportunities combine with many others, such as our boards and commissions, Leadership Los Gatos, and ongoing volunteer programs, to offer Los Gatos residents an abundance of choices when they want to contribute time and effort to keeping Los Gatos a great place to call home.

Town Council

Mike Wasserman,
Mayor

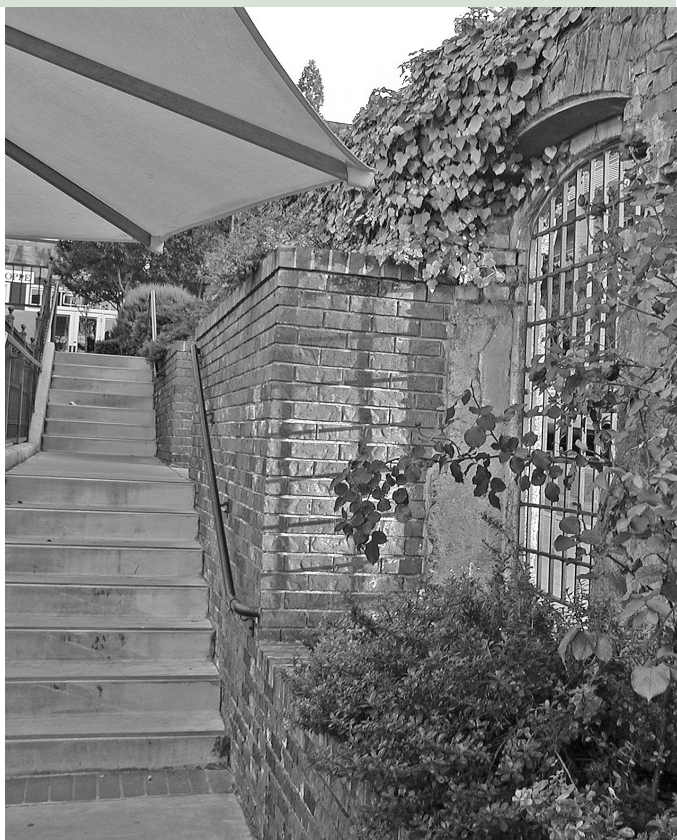
Diane McNutt,
Vice-Mayor

Steve Glickman

Joe Pirzynski

Barbara Spector

photo by Tom Jacobs



As you read this Annual Report, you'll see accomplishments that illustrate the principles of *Small Town Service*, *Community Stewardship*, *Future Focus*. We invite you to read on about the efforts the Town is making to keep Los Gatos a special community, with your help.

Community Unity

In his February, 2005 State of the Town Address, Mayor Mike Wasserman presented the concept of Community Unity, calling “... to unite Los Gatans under a banner of service...in the very simplest of terms, the idea is to gather all of the Town's service minded organizations and individuals together, brainstorm our community needs, prioritize those needs, and then tackle them together.” A successful meeting to kick off the Community Unity effort was held on March 29. About 120 people attended, including representatives from local service clubs, businesses, religious organizations, non-profit agencies, school clubs, and neighborhood associations. The goals of the event were to stimulate volunteer efforts aimed at maintaining and improving the community, to build community partnerships, and to foster civic pride.

Meeting participants identified potential volunteer projects in the following categories: Seniors and At-Risk Population, Youth, General Community, and Volunteers/Partnerships Needed. Teams of volunteers then signed up to complete selected projects. It is anticipated that follow-up meetings will be held to report progress, and to generate ideas for new projects.

Town-Wide Read

Los Gatos author Lea Frey's book *Dear Voices* was chosen as the subject of the fourth annual Town-Wide Read, sponsored by the Friends of Los Gatos Library. Ms. Frey's bittersweet tale of five high school friends who stayed in touch by exchanging letters from June 1944 through June 2003, resonated with many Los Gatos readers both as a chronicle of historical events and as a story of fascinating personal relationships.

The Town-Wide Read culminated with a special Friends of the Library Friday Forum on May 13, held in the Town Council Chambers, which included a book signing and a presentation by Ms. Frey.

New Library Programs for Youth

Two new programs for youth were initiated at the library this summer, and have been so successful that they will continue into the fall. The first, reading clubs for kids, was advertised as "run by kids, for kids." Each group enjoyed the chance to choose a name for their club, and to select their own titles to read and discuss. The kid-named clubs include "Read O Rama" (fourth graders), "Cheese Muffins" (fifth graders), and "Pizza Delivers" (sixth and seventh graders). Each group meets once a month, and each has been well-attended.

The second new program, "Teens Read to Kids," involves 13 local teenagers who volunteered to read to younger children. The teens were given a two-hour training session by the youth services librarians prior to starting the program. They then took turns reading children's books out loud each Thursday afternoon. This new program has been a great addition to the Library's schedule of storytimes for children, which include the Mother Goose storytime, Toddler storytime, Pre-School storytime, and Books Together (formerly Grandparents and Books).

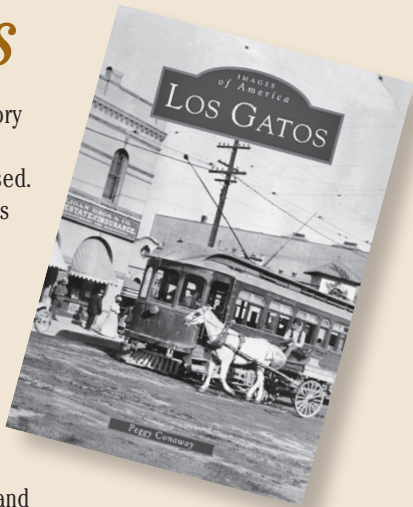


Images of America: Los Gatos

In September, a pictorial history of Los Gatos titled *Images of America: Los Gatos* was released. The book's author is Los Gatos Public Library Director Peggy Conaway, who selected more than 200 photographs from the library's collection; the Museums of Los Gatos collection; and collections from San Jose Public Library's Steinbeck Center, Sourisseau Academy, and California Room to illustrate Los Gatos's history.

The book takes the reader on a journey through time, beginning from the mid-nineteenth century, when Los Gatos served as an agricultural and distribution center. Every Los Gatan should enjoy reading about the people, places, and events that made the Town the picturesque, charming, and prosperous community it is today.

Approximately 5,000 copies of the book have been sold to date. Net proceeds from the sale of *Images of America: Los Gatos* go to the library's project to preserve the written and pictorial history of the town, "Hooked on Los Gatos, the Los Gatos History Project."



Sister City Visits

In March, the Town received visitors from its Irish Sister City, Listowel. Mayor Maria O'Gorman, her husband, and Town Clerk John Doody spent two days in Los Gatos as part of a visit to their two sister cities (Los Gatos and Shawnee, Kansas). A sister city to Los Gatos since 1994, Listowel is located in the northern part of County Kerry, Ireland. The Listowel delegation toured Town facilities, learned about the services the Town provides, and shared information about Listowel with members of the Town Council and Town staff. The party's visit coincided with St. Patrick's Day, so they were able to enjoy the local celebration.

A reciprocal visit occurred in June, when Library Director Peggy Conaway traveled to Listowel to attend "Writers' Week 2005" in Listowel. The festival is in its 35th year, and features readings, workshops, art exhibitions, and a book fair. It is one of Ireland's most prominent literary events, hosting both nationally and internationally acclaimed writers, such as Roddy Doyle, Michael Longley, Fergal Keane, Ross O'Carroll Kelly, and Russian poet Yevgeny Yevtushenko.

At a reception organized by Jimmy Deenihan, a member of Dail Eireann, one of two houses of the Irish Parliament, a group of about 50 local officials and residents viewed the 15-minute version of the new Los Gatos documentary film, *Los Gatos: Now and Then*.

Special Events

If you like fun, family events, Los Gatos was a great place to be this year. Residents enjoyed art exhibits, outdoor concerts, theater performances, and community celebrations - to name just a few. This year, the Town sponsored the following special events:

Music in the Park

This extremely popular concert series, begun in 1988, brings a diverse program of music styles, forms, and cultural origins to music lovers of all ages. The summer's concerts ran the gamut from rock to opera, from swing to salsa. Music in the Park has grown in popularity each year, and has become a real "must-attend" event for the summer. All of the production costs are paid for by private donations from local businesses and residents. The Arts Commission is proud of this local sponsorship base, and extends its warm thanks to all of the concert sponsors.

photo by Bill Kalogeros



Los Gatos Celebrates the 4th of July 2005

The fifth annual "Los Gatos Celebrates the 4th of July" event remained true to its theme of old-fashioned fun and family entertainment. Sponsored by the Town, local businesses, and community groups, the all-day event included food, games, food, music, and more food; and concluded with a twilight Music in the Park concert and dancing under the stars. It is estimated that 3,500 people attended throughout the day.

Community Garage Sale

A joint effort of the Town, the City of Monte Sereno, and Santa Clara County, the Community Garage Sale is an annual event that encourages the sale of reusable items rather than their disposal in the landfill. This year's event was held May 14. Garage sales were held at more than 330 home and neighborhood locations. Thanks to this event, and to a comprehensive program of waste diversion and recycling programs available to residents, the Town has met and exceeded the state mandate to divert at least fifty percent of its waste from the landfill.

Screen on the Green

The fourth annual Screen on the Green was held at Oak Meadow Park on September 24. This free outdoor event featured the movie "Grease" shown on a giant, 28' screen. Before the movie, attendees were treated to a live DJ playing '50s hits, and a hula hoop contest for kids was held. The Screen on the Green event opened the Los Gatos Film Festival this year with the showing of a popular film suitable for families.

Community Development, Housing, and Planning

Economic Vitality Program

Summer in Los Gatos

This summer the Town launched a creative, multi-faceted marketing campaign, which promoted the many great strengths of our Town to residents and South Bay neighbors.

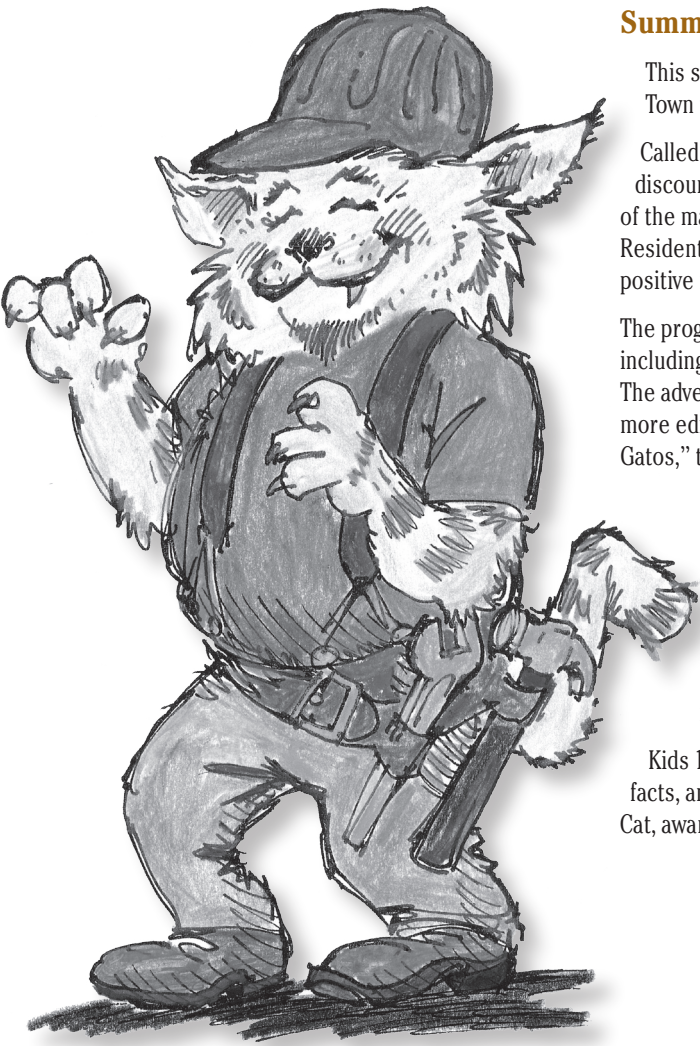
Called "Summer in Los Gatos," the program included a Los Gatos resident rewards program, which entitled residents to receive discounts and/or free gifts with purchase at over 100 local businesses. This pilot program served as a great tool to promote awareness of the many distinctive shopping districts in Los Gatos, and highlighted the positive impacts residents can make by shopping locally. Resident interest in the program continued throughout the entire summer, and the many business owners who participated received a positive response.

The program also made available cooperative, discounted advertising opportunities to all local businesses in a variety of publications, including *The Mercury News*, the *Los Gatos Weekly Times*, the *Los Gatos Daily News*, *San Jose Magazine*, and *Discover Silicon Valley*. The advertising took the form of a "calendar of events" section to promote local summer events and promotions, which gave the ads a more editorial "look and feel" than traditional cooperative advertising pages. Using the tag line, "There's a Summer for Everyone in Los Gatos," the advertising helps to draw shoppers and visitors to the Town.

Cat-Struction Walk

As part of the summer repaving project on North Santa Cruz Avenue, the Los Gatos Cat-Struction Cats made their debut in the downtown. These artist-rendered cats served as not only creative signage, but also as an education tool for kids and adults alike. The 11 distinctive cats of the Cat-Struction Walk provided facts and figures about the repaving project, added a bit of whimsy to make the temporarily altered shopping environment more fun, and gave shoppers direction to stores and free parking.

Kids 12 and under were encouraged to take the Cat-Struction Kids Challenge. Participants tested their knowledge of Cat-Struction facts, and were eligible to win a Cat of their very own! Five-year-old Peter Martyn of San Jose was the lucky recipient of a Cat-Struction Cat, awarded at a Town Council meeting.



Community Development, Housing, and Planning

Major Developments

Los Gatos is truly a special place and residents want to protect their community from the increasing development pressures of the region. Accordingly, the Town evaluates all proposed new developments in light of their overall community benefit. The Town's General Plan guides Town staff and decision makers in this process; it cites the necessity to consider issues such as human scale of development, historic preservation, density and intensity, population growth, downtown, congestion, open space, views of the hills, the nature of businesses located in Town, protection of the various neighborhoods, and community design. This year, a number of key developments were approved:

Villa Felice Site

On April 4, the Town Council approved a Planned Development at the former site of the Villa Felice Motel on Winchester Boulevard. Santa Clara Development will demolish the existing motel and restaurant and construct 33 new single family residences, including five below-market price homes.

Shannon Valley Ranch

Greenbriar Homes' Planned Development is under construction at Hicks and Shannon Roads. Thirteen new hillside homes will be built by Greenbriar and a fourteenth home will be constructed on the site of a former residence that was destroyed by fire. Several model homes are now nearing completion.

234 Oak Meadow Drive

A 10,800 square foot medical office building has been approved at 234 Oak Meadow Drive, across the street from Oak Meadow Park. The existing dental office buildings on the site will be demolished to make way for a state-of-the-art medical building. Community benefits include a contribution toward sidewalk improvements along Blossom Hill Road, safety improvements to the intersection of Oak Meadow Drive and Blossom Hill Road, installation of a bonsai garden on the site, and the completed restoration of the airplane at Oak Meadow Park.

New Community Standards

This year, a number of community standards were adopted by the Town Council, in response to community needs and state mandates. Following is a summary of some key new standards:

Commercial Design Guidelines

This April, the Town Council adopted new Commercial Design Guidelines. The new guidelines consolidate and update several previous design guideline documents, and include specific sections for different commercial areas including the downtown, neighborhood centers, Los Gatos Boulevard, historic districts and buildings, and auto dealerships. There are numerous photographs and graphics to aid businesses, commercial property owners, and design professionals in developing plans for remodels, upgrades, and development of new commercial buildings.

Administrative Citation Policy for Code Violations

A brand-new Administrative Citation Policy became fully operational this February. The use of the administrative citation, although still relatively new, has proven to be a more efficient and effective means of enforcing the Los Gatos Municipal and Zoning Codes and other Town requirements. Common code violations include inoperative vehicles, accumulation of rubbish, and building and zoning violations.

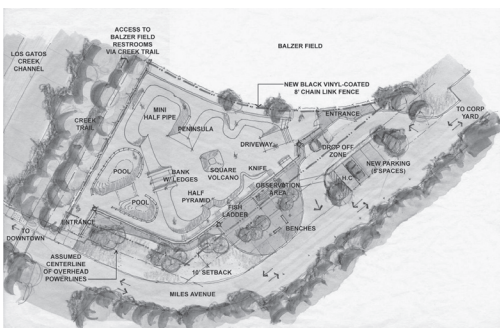
The Administrative Citation program has given code enforcement officers additional tools to obtain compliance with regulations. Previously, there were two options to obtain compliance: write a letter requesting that a violator comply voluntarily; or, in the case of serious infractions, issue a criminal citation to pursue corrective actions through the court system - an expensive and time-consuming process. Neither of these two options allowed the Town to be reimbursed for any of its costs; therefore, the average resident essentially subsidized the costs created by violators.

Under the new Administrative Citation Policy, persons responsible for a code violation are given an opportunity to abate the violation. In the case of minor violations, the Town may issue an administrative citation and impose a fine if the violation is not addressed. In the case of major violations, the Town may issue a Correction Notice, under which all costs to obtain compliance will be charged to the violator, and reimbursed to the Town.

Parks and Open Space

Future Skateboard Park

Last year, the Town took a positive step forward toward building a skateboard park for the Town's youth and other skateboard enthusiasts. The Town Council approved a location for the skateboard park: the Miles Avenue public parking lot, located next to Balzar Field, which is used for Little League baseball. A design for the park, a 12,300 square foot, above-ground concrete park, was also approved. Although the skateboard park is not yet funded, a community group is hard at work raising donations and seeking grants to build the park. When sufficient funds are raised, final design and construction will proceed.

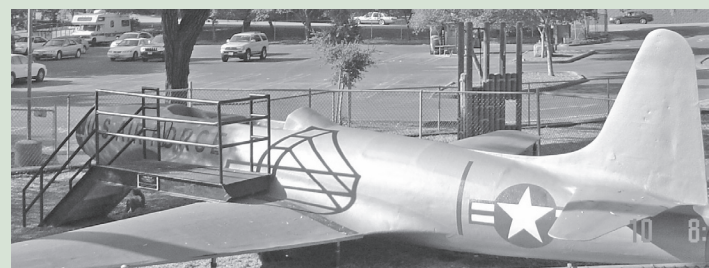


*Design for skatepark,
as approved by the
Los Gatos Town Council.*

Parks Improvements

Historic Airplane Restoration

The large airplane in Oak Meadow Park was repaired and restored this summer, thanks to the joint efforts of the Town and local volunteers. The airplane is a T-33(A) Trainer Jet from the Korean War that was donated to Los C included the application of getting too hot, so that ch



Blossom Hill Park Bathroom Roof Replacement

The roof of the bathroom that serves the busy Blossom Hill Park facilities, which include a playground, tennis courts, and baseball field, was replaced with composite shingles that have an expected life of twenty years.

North Santa Cruz Avenue Repaving

North Santa Cruz Avenue was repaved in July. What was estimated to be a 12-day construction project was completed instead in five days, due in large part to the expertise of the contractor, Duran & Venables, Inc., which doubled its crews and equipment, lengthened its work day, and ensured that materials were available so that operations ran smoothly.

Construction Details

The top layer of the old roadway was ground down about four inches, resulting in about 12,000 tons of roadway removed. Some patch repairs then were made to the Bachman intersection and some other small areas. Once these minor repairs were completed, a new layer of asphaltic concrete (AC) was applied in three phases: first, a two-inch base layer of AC; next, a super-fiber material used as an adhesive; and finally, a top two-inch layer of AC. The new roadway surface is anticipated to last at least 10 years.

Most visitors to the downtown during the construction discovered that the Town's traffic circulation plan made travel around the area possible, that plenty of free parking was available, and that it was easy to get around with the help of "Ambassadors" drawn from the Town's pool of volunteers. Others assisting with the project included 30 merchants and residents serving as Block Captains and Focus Group members, who kept the Town informed about concerns and acted as a communication link between the Town and affected businesses and residents.

See the "Economic Vitality Program" section on page 3 of this report for a look at the "Cat-Struction" phase of the North Santa Cruz Avenue repaving project.

Community Bus Service



At this summer's Fourth of July celebration, the Santa Clara Valley Transportation Authority (VTA) and the Town Council launched the Los Gatos Community Bus Service. This service replaces some of the larger buses that operated in Town with smaller, van-like buses. It focuses on serving residents and destinations in and around Town, in contrast to the previous bus service, which focused on longer routes that traveled between multiple communities.

The new Community Buses travel between downtown Los Gatos and the new Vasona Light Rail station in Campbell. Route 48 primarily travels along Winchester Boulevard, and Route 49 travels along Los Gatos Boulevard. Both lines provide service every 30 minutes, and both are free to use. The buses are colorfully decorated with images of Los Gatos.

The Los Gatos Community Bus Service is a pilot program for the VTA, which is an independent special district responsible for bus, light rail, and paratransit operations; congestion management; specific highway improvement projects; and countywide transportation planning.

Pedestrian and Bicycle Safety

The following capital improvement projects were aimed at improving pedestrian and bicyclist safety and to encourage walking and cycling around Town.

Safe Routes to Schools

Los Gatos received a grant of \$300,000 from the state Safe Routes to Schools, a competitive grant program. The grant funds were used to install over 8,000 square feet of sidewalk in locations where there had been no sidewalks previously, and pedestrians had had to walk on the side of the road. The new sidewalks are at the following locations: Winchester Boulevard, Roberts Road East, and Los Gatos Boulevard. These locations serve students of the following local schools: Daves Avenue School, Louise Van Meter Elementary, Raymond J. Fisher Middle School, and Los Gatos High School.

Crosswalk Improvements

Center medians were installed in several high-use crosswalks, to increase pedestrian safety and to bring attention to these crosswalks that also serve as school routes for children and parents. The new medians are in the following three intersections: Highway 9 at Massol Avenue, Carlton Avenue at Lester Lane, and Los Gatos-Almaden Road at Cherry Blossom Lane.

Highway 9 Safety

A major clean-up effort was conducted in January, in a collaborative effort involving crews from the Town of Los Gatos, the City of Saratoga, the City of Monte Sereno, and Caltrans. Crews cleaned up roadside debris and trimmed trees along Highway 9 from Los Gatos to Saratoga. The cleaner roadside, and improved sight distance, will increase safety for drivers, cyclists, and pedestrians alike. A major grant-funded safety improvement project is in the planning stages, for completion by 2007.

Capital Improvement Projects

As part of an ongoing effort to upgrade the Town's aging infrastructure, several capital improvement projects were completed during the past year, including the following:

Street Repair and Resurfacing

This ongoing roadway improvement program continued during the year, on 5.5 miles of streets throughout Town. Work completed this year maintained the Town's overall roadway pavement condition index at 74 (above average).

Parking Lot Repairs

Repairs were made to Parking Lot 4 (located between Grays Lane and Elm Street) to improve disabled access to the crosswalks, wheelchair ramps, and parking lot facilities.

Curb, Gutter, and Sidewalk Repairs

This ongoing work program continued to repair broken and lifted sidewalks, curbs, and gutters throughout Town, to increase pedestrian and bicycle safety. Repairs included tree root pruning and installation of disabled access ramps, in addition to replacement of damaged concrete.

Storm Drainage Improvements

Improvements to the storm drain system were completed to improve the drainage of rain water where street flooding tended to occur during heavy rains. Improvements were conducted at two locations: Causey Lane, off Kennedy Road; and North Santa Cruz Avenue, near Mariposa Avenue.

Los Gatos Youth Commission

The Los Gatos Youth Commission, which was formed last summer, is responsible for advising the Town Council on issues involving the youth of Los Gatos. During its first year, the Commission began to establish itself in Town by getting other youth and members of the community to be aware of its existence, and to solicit input on the issues that are important to local youth.

Commission Projects

- **Youth Commission Website.** Commission members began work on the development of a Commission website, which will be used to solicit input from the community, and to communicate about Commission meetings, Commission projects, and other activities.

- **Teen Survey.** The survey was used as a tool to solicit feedback from Los Gatos youth, about issues that are important to them. This input will be used in the future to inform the Commission's programs and activities.
- **Holiday Parade.** As another fun way of getting involved in the community and increasing their visibility, Commission members participated in the annual Holiday Parade downtown.
- **Concert Event.** The Commission coordinated a music event, held on the front lawn of Los Gatos High School, which allowed local teen bands to put their music and talent on display for other youth and for the community.

Some Commission members have taken the opportunity to gain further insight into the functions of leadership and Commission work in local government, by visiting other Youth Commissions in the area, and through participation in a "Youth Participation in Local Government" workshop.

Youth Party Guidelines

The Los Gatos/Monte Sereno Police Department has instituted an innovative approach to address issues of youth and alcohol use, particularly as it relates to teen parties. The new "Youth Party Guidelines" serve both to inform the community about what can be expected of police officers when they respond to parties involving youth, and about what is expected of youth and adults in the community in order to be accountable for their actions.

A key element of the program was the establishment of a "Party Notification Process," which allows parents to notify the Police Department if they are going to be out of town and are concerned that youth may have a party at their home. Also, any teen planning a party may call the department in order to advise them of the party in advance. When disturbance complaints are received about parties that have participated in the notification process, the first response will be to contact the party giver by phone, instead of sending a Police Officer to the home.

The Youth Party Guidelines document is used by police to engage in discussions with teens and adults, and to improve their ability to address the issue of youth parties. The Police Department invites citizens to review the guidelines, share them with their family, and to call with any questions. This program is innovative in that it addresses teen parties and alcohol use in a proactive manner, as an ongoing issue requiring the coordination and cooperation of all segments of the community including schools, law enforcement, teens, parents, community groups, and businesses.

Police Pipes and Drums

In May, the Los Gatos/Monte Sereno Police Pipes and Drums traveled to Washington, D.C. to participate in the National Police Memorial Service, a key feature of National Police Week. The Pipes and Drums, a volunteer group with about 30 members, represented California law enforcement as the only police pipes and drums at the ceremony.

On their return, Pipes and Drums members presented Police Chief Scott Seaman with a flag flown over the United States Capitol, commemorating the Town's support of the Pipes and Drums unit.



What's New! Email Service

Get the latest Town news as it becomes available - sign up for the What's New! Email Delivery Service. You can subscribe to receive an email when the "What's New!" section of the Town's website has been updated. To subscribe, go to the Town's website, www.losgatosca.gov, and click on "Click here to subscribe to the What's New! Email Delivery Service," then follow the directions.

Awards and Recognition

25th Year Tree City USA Award

Los Gatos reached a milestone by receiving the distinguished Tree City USA Award for the 25th consecutive year. The award is associated with National Arbor Day, when Los Gatos celebrates an annual tree planting ceremony. This April, the Arbor Day celebration was held in Oak Meadow Park, and trees were planted in memory of two exceptional volunteers who had recently passed away: Shirley Henderson and Graham Burrows.

The Tree City USA program is sponsored by the National Arbor Day Foundation, in cooperation with the National Association of State Foresters and the U.S. Forest Service. To become a Tree City USA, a community must have the following: a tree board or department, a tree care ordinance, a comprehensive community forestry program, and an Arbor Day observance. The Town continues to meet these requirements, and observes National Arbor Day annually.

“Alive...And Loving Life” Awards

In July, the Town won the League of California Cities' Helen Putnam Award for its work on the "Alive...And Loving Life" effort. Alive...And Loving Life is a broad-based coalition that works to identify and target issues related to youth. Los Gatos was one of only three cities from among 25 entries in the area of Public Safety to be granted the prestigious award. A group of adults and youth, representing the Town, attended the League's annual conference in Long Beach in September to formally accept the award.

The International Association of Chiefs of Police (IACP) also granted an award to the Los Gatos/Monte Sereno Police Department for its work on Alive...And Loving Life, in August. In the category of cities with a population of between 20,000 and 50,000, the Alive...And Loving Life submission was awarded second place. This award was received at the IACP conference in Los Angeles in November.

The Town, the Police Department, and the community all deserve to be proud of the efforts which have taken place under the Alive...and Loving Life initiative since its inception. The hard work of the community to pull together on such an important cause was truly rewarded by these two very prestigious awards.

Distinguished Budget Award

The Town received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for Fiscal Year 2004/05. It is the highest form of recognition in governmental budgeting and represents a significant achievement by the Town.

In order to earn this award, the Town's budget must be rated as proficient in all four of the guideline categories. These guidelines are designed to assess how well the Town's budget serves as:

- A policy document
- A financial plan
- An operations guide
- A communications guide

On the Horizon

While this Annual Report primarily reports on the Town's accomplishments in 2004/05, we would like also to preview the following key projects planned for the current fiscal year:

Civic Center Master Plan

The Civic Center Master Plan process, begun several years ago, will resume after an 18-month hiatus that allowed the Town to address other priorities. Completed to date is a Service Assessment, which identifies the services the Town provides and the services the community desires. This year, the Town will complete an Operational Plan, which describes how services are provided; and a Space Program, which identifies the space needs for providing the services the community desires. When complete, the Master Plan will not be an architectural design; rather, it will be a comprehensive plan of how best to utilize the Civic Center facilities and grounds to accommodate the services the Town provides. The plan will include a phasing strategy, costs, and funding opportunities.

Redesigned Town Website

The Town is currently in the process of redesigning its website to develop an attractive and effective site that reflects the character of Los Gatos and allows customers to find information quickly. While the Town's URL, **www.losgatosca.gov**, will remain the same, the new site will have breaking news; a document and archive center that allows the retrieval of forms, applications, and documents; a calendar of Town events; a “Notify Me” e-subscription feature for customers who want the latest information about Town news, activities, and jobs; and much more! It is anticipated that the new website will be launched in Fall 2005. Be sure to check it out!

Customer Service Center

One of the Town's top priorities is to deliver high quality local government services in this time of fiscal challenge. As part of the FY 2005/06 budget, the Town streamlined and reorganized some of its services, and created the first phase of a Customer Service Center. The Center, located in the Clerk Department at Town Hall, is designed to be the first point of contact for telephone and walk-in customers. Stay tuned during FY 2005/06 to hear more about how the Customer Service Center will be serving the community.

Fiscal Overview

Fiscal Outlook for FY 2005/06

After months of planning, the Town Council adopted the FY 2005/06 Operating, Capital, and Redevelopment Agency budgets in early June of this year.

These documents set forth basic spending policies, operational workplans, and service levels for Los Gatos. A five-year financial forecast provides the framework for the Town's Operating Budget, which establishes funding levels for ongoing services and community programs during the fiscal year. The Capital Budget is a comprehensive five-year plan for the construction, improvement, or rehabilitation of Town infrastructure, such as streets, sidewalks, and parks. The Redevelopment Agency budget identifies and funds redevelopment infrastructure projects and economic vitality programs in the downtown area.

Budget planning this year continued to be challenging as the state's ongoing shortfalls are resulting in additional funding takeaways from local government. The Bay Area economic recovery also continues to be very slow. As part of last year's state budget deliberations, local governments agreed to a two-year takeaway plan to fund the state's budget gap. Under this agreement, Los Gatos will have absorbed a total of \$952,000 in takeaways from the Operating Budget and another \$600,000 from the Redevelopment Agency over two fiscal years.

Another part of the Governor's agreement with cities included placing Proposition 1A, a constitutional amendment that protects future local government revenues, on the 2004 November ballot. Although the amendment passed by an 82% majority, many unknowns still exist, including the possibility of state revenue takeaways under "special circumstances" or other takeaways of unprotected revenue.

The combined impact of past and current state takeaways and the slow economic recovery will continue to affect the levels of service and infrastructure improvements the Town is able to provide to Los Gatos residents. While the Town Council places a heavy emphasis on maintaining quality public services, some service level reductions will be felt by the community. Some of these reductions include potential increased response times for non-life threatening police calls, reduced parking enforcement, reduced administrative support for delivering community services, and reductions in parks and public works support for special public requests and special events, among others.

A less noticeable but costly long-term result of the budget shortfall is the Town's inability to commit substantial financial resources toward infrastructure maintenance and improvements. Without ongoing dedicated financial resources, the Town's infrastructure will suffer the effects of delayed maintenance.

General Fund Sources

The General Fund supports basic Town operations and expenses. General Fund sources include various tax revenues, such as property tax, sales tax, hotel occupancy tax, and business license tax, as well as interest earnings, intergovernmental revenues, and fees charged for development services, permits, and fines and forfeitures.

As the chart to the right shows, Los Gatos is heavily dependent upon local economy-based revenues, with Sales & Use Tax as the Town's primary revenue source. This revenue has remained steady the last few years, in contrast to the high growth rates of the past. Regardless of the level of sales tax revenue, it is important to note that the Town receives only 1 cent of the 8.25 cents of sales tax per dollar of sales generated in the Town.

Excluding the State's funding shifts, Property Tax receipts and Vehicle License Tax both continue to be steadily growing revenue sources for the Town and account for more than one-quarter of the General Fund revenues. However, for every \$1 of property tax paid by property owners in the Town, only 9.5 cents returns to the Town to pay for local services. Interest income on idle funds and hotel Occupancy Tax revenues are economically sensitive revenues which continue to perform poorly, due to the economic slow down.

General Fund Uses

Most of the Town's services are supported by the General Fund, including police services, street and signal maintenance, park maintenance, and the library.

The chart to the right shows planned expenditures by service area. The Town addressed a \$900,000 shortfall in revenues this year by trimming staffing by the equivalent of about 6 positions (both filled and vacant), reducing operating expenditures, increasing fees to cover costs of development-related services, and funding shifts to align costs with appropriate funding sources outside the General Fund. The reduction in staff comes on top of 22 positions reduced over the last 4 years, as well as budget reductions of \$3.8 million over that same period.

Future Outlook

In spite of the challenging economic times of the past few years, the Town continues to deliver core services to the community due to sound fiscal practices. Not only has the Town reduced expenditures, it has set aside a portion of those savings to smooth out the cyclical ups and downs in locally-generated revenue such as sales tax. This fiscal tool, known as a revenue stabilization reserve, is considered a budgeting "best practice" by the nationally-recognized Government Finance Officers Association. Part of the reserve fund would also be used for capital improvements.

The five-year forecast indicates that the local economy is slowly improving; however, a gap between forecasted revenues and expenditures will still exist. At the same time, the administration will continue to explore ways to deliver services efficiently and cost-effectively to the community.

For More Information

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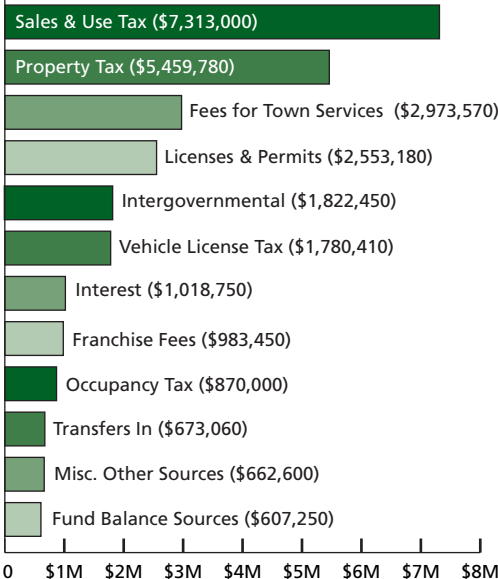
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General Fund Sources FY 2005/2006 (\$26.1 Million)



General Fund Uses FY 2005/2006 (\$26.6 Million)

